7. For facilities acquired through purchase or a capital lease on or after July 18, 1984, the buyer's or lessee's allowable historical cost of property is limited to the lower of the following:

   a. The actual cost to the new owner;

   b. The appraised value at the time of the sale as stated by an appraiser who meets the qualifications of an appraisal expert as contained in HCFA-15;

   c. The seller's or lessor's acquisition cost increased by the lesser of one-half of the percentage increase as contained in the "Dodge Construction System Costs for Nursing Homes," or one-half of the increase in the United States city average consumer price index for all urban consumers. Any additional allowable capital expenditures incurred by the buyer or lessee subsequent to the date of transaction shall be treated in the same manner as if the seller or lessor had incurred the additional capital expenditure. The allowable depreciation expense shall be calculated on the buyer's or lessee's allowable historical cost. In no case is interest expense, excluding working capital interest, allowed on a principal amount in excess of the buyer's or lessee's allowable historical expense.

   Acquisition cost (including legal and/or brokerage fees, accounting and administrative costs, travel costs, and the cost of feasibility studies) related to the purchase of any existing facility or the transfer of an existing lease of any facility shall not be allowed.

8. The occupancy factor used in calculating per diem rates shall be the greater of actual or 3% less than the statewide average for all nursing facilities. The occupancy factor will be determined in accordance with the year-end cost reporting period identified in Section A, Provision Number 3. The occupancy factor shall be waived for the first twelve months of operation for a newly-constructed facility. For the second twelve months of operation, the occupancy factor used to establish the facility's rate will be the greater of three (3) % less than the state-wide average or the last quarter of the first year of operation, prorated to twelve months.

9. Medicaid Rate Limitation - Effective July 1, 1999 and for all future reimbursement periods, individual nursing facilities will be limited to no greater than a 8% rate increase in their overall combined Direct Care Case Mix Adjusted Rate and Non-Direct Care Rate. If the facility's rate exceeds this limitation the department shall amend the facility's non-direct care rate to equalize the rates to the allowable limit.

Section D - Other:

1. In computing annual per diem rates, costs subject to inflation that are submitted to the Department on the "Statistical and Cost Summary for Nursing Facilities" (Section A, Provision Number 3) shall be inflated on the basis of the United States Consumer Price Index as reflected by the forecasts received from DRI/McGraw Hill, Inc.

2. Allowances may be made for known future costs due to new or revised federal or state laws, regulations and/or standards having an impact on costs incurred by nursing facilities. An explanation of costs of this nature must be attached to the "Statistical & Cost summary for Long-Term Care Facilities" if they are to be given consideration.

3. OBRA 1987 cost requests (excluding costs associated with Nurse Aide Training) submitted per Department instructions and approved by the Department were added to the facilities' rate without subjection to ceilings. Nurse Aide Training costs were reimbursed on quarterly basis, outside the ceiling limitation. Effective July 1, 1993 the 1987 OBRA costs and later OBRA amendments will be reported as a regular cost and included in the normal rate setting process and reimbursed through the Direct and Non-Direct per diem rates for nursing facilities.

   OBRA costs for the Level II - Waivered Facilities will be treated in the following manner. If a waivered facility fulfills the requirements of OBRA Staffing, the Department will recalculate the per diem rate to determine if an interim rate is justified under ARSD 67:16:04:54. The facility will be required to submit its cost of compliance in order for the Department to complete the recalculation. If an interim rate adjustment is approved, the Department will issue the new rate effective after the 1st full quarter of compliance.

4. Statewide averages and allowable per diem rates shall be set annually prior to July 1, using cost reports submitted to the Department per Section A, Provision Number 3.

5. In the Case Mix Reimbursement System, two per diem rates shall be established: (1) the Case Mix Adjusted Direct Care Rate, and (2) the Non-Direct Care Rate. Both rates will be established per facility and paid for every Medicaid-eligible resident in that facility, excluding those classified as Assisted Living Care.

   a. The Case Mix Adjusted Direct Care Rate will be determined prior to July 1 of each year and payment will be subjected to the residents' level of care needs, determined by the South Dakota M3PI Index System and the Case Mix weights assigned to each classification.

   b. The Non-Direct Care Rate will be determined prior to July 1 of each year and payment will be applied uniformly to all eligible residents.

6. Nursing facilities which elect to participate in the Medicaid program must notify the department of its average per diem charge to individuals who are not presently receiving nursing facility benefits under Medicare, Medicaid, or Veterans Administration programs. Medicaid reimbursement will be limited to the lower of the facility's average private pay per diem charge or the facility's Medicaid per diem rate (Direct and Non-Direct Care Rate), as established by the Department prior to July 1, of each year. The Department will make a pro-rata adjustment to both the Direct Care Rate and the Non-Direct Care Rate in limiting the Medicaid per diem rate. Each nursing facility has until the first (1st) day of the third month following notification regarding the Medicaid per diem rate to report this information to the Department.

7. Annual rates established prior to July 1 of each year shall be effective for the full twelve-month period, July 1 through June 30. All payments as established through rate setting procedures outlined in this plan and Department rules shall be final. Interim rate adjustments may be made for the following reasons only:

   a. Adjustments for erroneous cost or statistical reporting discovered during the course of an audit;

   b. Amended cost reports which reflect changes in information previously submitted by a provider shall be allowed when the error or omission is material in amount and results in a change in the provider's rate of $.05 or more per patient day:

   c. New or revised federal or state laws, regulations and/or standards having an impact on costs incurred by nursing facilities become effective during the twelve-month period for which rates have been established;

DEPARTMENT OF SOCIAL SERVICES
PROVIDER REIMBURSEMENT AND AUDITS
700 Governors Drive
Pierre, South Dakota 57501-2291
(605) 773-3643
FAX (605) 773-6834

January 11, 2000

Mr. Spencer Erickson
Division of Medicaid Health Care Financing Administration
Federal Office Building, Department of Health and Human Services
1961 Stout Street
Denver CO 80202

Re: Swing-Bed Rate

Dear Mr. Erickson:

The South Dakota State Plan, Part I, Section D, Item 10, states:

> Swing-Bed hospitals shall be reimbursed on a per diem basis equal to the average Medicaid payment, excluding therapies, paid to nursing facilities during the previous calendar year, exclu8ding intermediate care facilities for the mentally retarded. Swing-bed hospitals shall be reimbursed for assisted living care at the current maximum rate paid for assisted living rates.

In compliance with the requirement the department has established the Swing-bed Rate to be:

$77.95 Per Day for Calendar Year 2000

If you have any questions regarding this matter please do not hesitate to contact this office.

Sincerely,

Damian Prunty
Administrator
Office of Provider Reimbursement and Audits

DEPARTMENT OF SOCIAL SERVICES
PROVIDER REIMBURSEMENT AND AUDITS
700 Governors Drive
Pierre, South Dakota 57501-2291
(605) 773-3643
FAX (605) 773-6834

February 3, 1998

Mr. Spencer Erickson
Associate Regional Administrator
Division of Medicaid, Health Care Financing Administration
Federal Office Building, Department of Health and Human Services
1961 Stout Street
Denver CO 80202

Re: Swing-Bed Rates

Dear Mr. Erickson:

The South Dakota State Plan, Part I, Section D, Item 10, states:

> Swing-bed hospitals shall be reimbursed on a per diem basis equal to the average Medicaid payment, excluding therapies, paid to nursing facilities during the previous calendar year, excluding intermediate care facilities for the mentally retarded. Swing-bed hospitals shall be reimbursed for assisted living care at the current maximum rate paid for assisted living care.

Therefore, in compliance with the requirement, we have established the Swing-bed Rate for calendar year 1998 to $73.21 per day. This rate is effective January 1, 1998, through December 31, 1998.

Effective January 1, 1998, the rate for the Regular Assisted Living Program has been established at $29.92 per day, and the rate for the Waivered Medication Administration Program has been established at $35.01 per day.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Damian Prunty
Administrator
Office of Provider Reimbursement and Audits

d. Special circumstances arise that warrant an interim rate adjustment. Requests for interim rate adjustments due to special circumstances shall be submitted in writing to, and shall be approved by, the Secretary of the Department of Social Services. Cost increases to meet existing laws or regulations or to provide appropriate care for residents admitted to a facility shall not justify an interim rate adjustment.

8. Provisional per diem rates shall be established for newly-constructed facilities, for facilities experiencing major expansion, and for existing facilities experiencing new operational ownership, based upon projected costs to be submitted to the Department prior to the opening date of a newly-constructed facility or prior to the date of an operational ownership change. Provisional per diem rates shall be effective for six (6) months, with rates being adjusted retroactively on the basis of actual costs. All rates discussed in this section shall be determined in accordance with the provisions of this plan.

9. The reimbursement rate for out-of-state facilities providing nursing services to residents of the State of South Dakota shall be the lesser of the Medicaid rate established by the state in which the facilities are located or the South Dakota state-wide average Medicaid rate for all in-state facilities. Payment to out-of-state facilities for care not available at in-state facilities shall be at the rate recognized for the facility by the Medicaid agency in the state in which the facility is located.

10. Swing-bed hospitals shall be reimbursed on a per diem basis equal to the average Medicaid payment, excluding therapies, paid to nursing facilities during the previous calendar year, excluding intermediate care facilities for the mentally retarded. Swing-bed hospitals shall be reimbursed for assisted living care at the current maximum rate paid for assisted living care.

11. An add-on payment for the rental cost of ventilator equipment is allowed when a nursing facility resident is ventilator dependent. A physician's order must document the residents ventilator dependency and must accompany the approval request for payment.

12. An add-on payment for the rental cost of a specialty bed, in an amount not to exceed $25.00 per day, will be allowed when the specialty bed is part of a written intensive treatment program for Stage III or IV pressure ulcers or healing after grafting or flap repair surgery. Prior written approval from the Department is required and the approved specialty bed rental reimbursement will be limited to 3 months. A one-time extension, not to exceed three-months, may be granted by the Department if the physician and provider provide evidence that the wound is healing, but has not completely healed. Specialty type beds for this purpose will include pressure reduction overlays/mattress, low-air loss therapy beds and/or air-fluidized therapy beds.

13. When establishing annual per diem rates, the total "add on" payments made to a facility during the time period covered by the cost report will be used as a credit adjustment to costs shown on the cost report.

14. For individuals dually-eligible for Medicare and Medicaid, who reside in a nursing facility and elect the Medicare hospice benefit, the Department of Social Services will pay room and board costs, as defined in the State Medicaid Manual under subsection 4308.2, directly to the Medicare certified hospice organization.

15. The Department may withhold payment to facilities for non-compliance with any provision of this plan.

PART II

SOUTH DAKOTA STATE PLAN ATTACHMENT 4.19D
REIMBURSEMENT FOR NURSING FACILITIES
(STATE-OPERATED FACILITIES)

1. The purpose of this plan is to define the methodology for establishment of reimbursement rates for state-operated nursing facilities participating in the State's Medicaid program. Provisions of and payments under this reimbursement plan shall begin July 1, 1999.

2. A uniform report generated by the State's accounting system shall be submitted to the Department of Social Services within 30 days following the close of each facility's calendar quarter. The following criteria apply to all reports:

   a. Reports shall be completed in accordance with accounting procedures established by the State of South Dakota.

   b. Reports shall include costs allocated to each facility under the federally-approved Statewide Cost Allocation Plan.

   c. Reports shall include Department of Human Services administrative support costs allocated to each facility in accordance with that department's annual cost allocation plan submitted to and approved by the federal Department of Health and Human Services.

3. Facilities operating programs other than Medicaid-certified programs shall submit to the Department an annual cost allocation plan by August 1 of each year. This cost allocation plan will be the basis for allocation of costs among programs within a particular facility for the state fiscal year.

4. All providers shall be required to keep all financial and statistical records for a minimum of six years following the submission of accounting reports, and these records must be made available to representatives of the State and/or Department of Health and Human Services upon demand. In no instance shall records be destroyed when an audit exception is pending.

5. All accounting reports referenced in Provisions #2 and #3 shall be maintained in Department files for a minimum of six years or until any audit exceptions are cleared, whichever is longer.

6. Participation in the Medicaid program as a provider of nursing facility services shall be limited to those facilities that accept as payment in full the reimbursement established under this plan for the services covered by this plan.

7. Allowable costs are based upon criteria as defined in HCFA-15, Provider Reimbursement Manual, except as otherwise described in the plan. Allowable costs under this plan include the cost of meeting certification standards and routine services including, but not limited to room, board, nursing services, nursing supplies, therapy services, habilitation services, oxygen, medical equipment, catheters, catheter bags, special bed pads, supplies for incontinency, laundry of personal clothing, and all costs reflected on required accounting reports, as well as any other costs specifically listed in the plan.

8. Building depreciation shall be limited to 3% on masonry and 4% on frame buildings and shall be calculated on the straight-line method. Additions to primary structures and/or major renovations may be reviewed individually and depreciated on the straight-line method. Generally accepted accounting procedures will be used in determining the life of any addition(s) to primary structures or major renovations. Depreciation on buildings shall be allowable only when funded, or when the proceeds are deposited to the State's General Fund. Funded depreciation can only be used for support of capital expenditures that will benefit Title XIX eligibles.

9. Depreciation on equipment, furniture, automobiles, and specialized equipment shall be calculated on the straight-line method for all such equipment presently in use at a facility. Equipment, furniture, automobiles, and specialized equipment purchased by the State for less than $25,000 and accounted for through the South Dakota budgetary accounting system shall be claimed and reported as a cost for the current period. Equipment, furniture, automobiles, and specialized equipment with an acquisition cost exceeding $25,000.00 must be depreciated according to generally accepted accounting procedures. Depreciation on equipment, furniture, automobiles, and specialized equipment shall be allowable only when funded, or when the proceeds are deposited to the State's General Fund.

10. One per diem rate shall be established for a facility and paid for every Medicaid-eligible resident in that facility. The State shall have discretion in what it charges non-Medicaid residents. The state will not pay for reserve bed days in state institutions.

11. No reimbursement shall be allowed for additional costs related to sub-leases.

12. Per diem rates shall be calculated on the basis of actual occupancy. Occupancy is defined as actual physical resident days.

13. A provisional per diem rate shall be established for the first quarter of each state fiscal year based upon each facility's operating budget and projected resident population. Provisional per diem rates shall be established for the second, third, and fourth quarters of each state fiscal year based upon actual allowable cost and actual physical resident days for the previous quarter. Allowances may be made for known future costs not incurred in the previous quarter if those costs will be incurred prior to the end of the subsequent quarter.

    OBRA-1987 cost requests (excluding costs associated with Nurse Aide Training) submitted per Department instructions and approved by the Department will be added to the facility's rate without subjection to ceilings.

14. Following the end of each quarter, the Department shall re-calculate the Medicaid rate from the reports submitted in accordance with Provisions #2 and #3. This rate shall be compared to the provisional rate paid for that quarter, and a financial adjustment shall be made to adjust for any over or under payments.

15. Field audits of accounting reports shall be conducted that shall meet or exceed the scope of Title XVIII specifications. All facilities shall be audited at a minimum of once every three years.

16. All audit exceptions shall be accounted for on the HCFA 64 in accordance with the State Medicaid Manual, Part 1, Section 2500.